

NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

15 April 2021

(Meeting held remotely via Zoom Pro platform)

Commenced: 11.00am

Terminated: 12.20pm

Present:	Cllr Gerald P Cooney (Chair)	Vice Deputy – Greater Manchester Pension Fund
	Councillor Brenda Warrington	Chair – Greater Manchester Pension Fund
	Cllr Andrew Thornton	Chair - West Yorkshire Pension Fund (WYPF)
	Councillor Pat Cleary	Chair – Merseyside Pension Fund
	Councillor Cherry Povall	Vice Chair – Merseyside Pension Fund (MPF)
	Liz Bailey	West Yorkshire Pension Fund

In attendance:

Rodney Barton	Director of Pensions - WYPF
Peter Wallach	Director of Pensions - MPF
Sandra Stewart	Director of Pensions, GMPF
Euan Miller	Assistant Director of Pensions, Funding and Business Development, GMPF
Tom Harrington	Assistant Director of Pensions, Investments, GMPF
Paddy Dowdall	Assistant Director of Pensions, Local Investments and Property, GMPF
Steven Taylor	Assistant Director of Pensions, Special Projects, GMPF
Mushfiqur Rahman	Investment Manager (Public Markets)
Greg Campbell	Merseyside Pension Fund
Owen Thorne	Merseyside Pension Fund
Colin Standish	West Yorkshire Pension Fund
Joanna Wilkinson	West Yorkshire Pension Fund
Alan McDougall	PIRC
Janice Hayward	PIRC
Tom Powdrill	PIRC
Conor Constable	PIRC
John Simmonds	CEM Benchmarking

36. DECLARATIONS OF INTEREST

There were no declarations of interest declared by Members.

37. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 4 February 2021 were agreed as a correct record.

38. POOLING UPDATE

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, GMPF, providing an update on pooling activity since the previous Northern LGPS Joint Committee meeting and summarised relevant national pooling developments.

It was reported that, on 3 January 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. Parties that were consulted included pools, administering authorities and local pension boards. The guidance was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015 ('the 2015 guidance').

As per discussion at previous meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance has 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting.

On 25 November 2020 Government set out a commitment to consult on strengthening the framework for pooling in the Balance Sheet Review (published alongside the Spending Review) at <https://www.gov.uk/government/publications/the-balance-sheet-review-report-improving-public-sector-balance-sheet-management>, (pages 34-35). This referred to stronger governance, improved reporting, and greater transparency on investment performance, including benchmarking against UK and international comparators.

MHCLG had indicated that a new consultation on pooling guidance and potential changes to the LGPS Investment Regulations was expected sometime later in the year. In the short-term there may be a ministerial statement on the Government's commitment to pooling.

MHCLG civil servants had also been working with the Chair of the Client-side Cross-Pool Group to produce a questionnaire to be completed by funds and pools to help MHCLG draft new guidance and/or regulations. As at 5 April this questionnaire had not yet been issued by MHCLG.

Updates on the progress of the main ongoing work-streams for the Northern LGPS together with LGPS Pooling developments nationally were provided in the report.

RESOLVED

That the content of the report be noted.

39. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING

The Assistant Director of Pensions Investments, GMPF, submitted a report providing members of the Committee with an update on investment management cost benchmarking for 2019/20. In addition, CEM had provided a report analysing Northern LGPS Investment benchmarking results for the 6 year period ending 31 March 2020. John Simmonds of CEM Benchmarking also delivered a presentation.

Analysis of the interim 2019/20 data indicated that the Northern LGPS remained low cost and was below the median (average) cost of its peer group (which consisted of 21 global pension funds (inclusive of Northern LGPS) ranging from £12.7 billion to £90.7 billion.

In 2014/15, CEM calculated Northern LGPS' benchmarked costs to be 0.35% (£112 million relative to an average Pool value of £29 billion). The Northern LGPS' costs increased to 0.39% (£170 million relative to an average Pool value of £43 billion) in 2019/20.

When adjusting for the increase in assets and changes in strategic asset allocation over the last six years, CEM calculated that Northern LGPS' like for like costs would be 0.50% (£222m) in 2019/20. On this basis, Northern LGPS had generated underlying savings of 0.12% (£52m) in 2019/20.

CEM had also benchmarked Northern LGPS' costs against a peer group of 21 relatively similar sized global funds (including 1 other large UK LGPS fund and 3 other LGPS pools (based on the data submitted by the pools and available to CEM). The peer group actual cost was 0.48%. To calculate the benchmark cost, CEM apply peer median costs at an asset class level to the Northern LGPS'

asset mix. The benchmark cost in 2019/20 was 0.42% (£184m). On this basis, the Northern LGPS was 0.03% (£14m) lower cost than the benchmark.

RESOLVED

That the content of the report be noted.

40. COMMON CUSTODIAN UPDATE

Consideration was given to a report of the Assistant Director of Pensions Investments, GMPF, which provided key performance indicators and key milestones and deliverables for the quarter to 31 December 2020 in relation to Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in an appendix to the report.

RESOLVED

That the content of the report be noted.

41. PERFORMANCE MEASUREMENT

The Assistant Director of Pensions Investments, GMPF, submitted a report providing Members of the Northern LGPS Joint Committee with an update on performance measurement.

It was reported that, at the Shadow Joint Committee meeting of 10 January 2019, Members endorsed the appointment of Portfolio Evaluation Ltd as the common performance measurement provider for the Pool.

Details of Northern LGPS reporting for periods to 31 December 2020 was attached as an appendix to the report. It was explained that the reporting would assist in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

It was noted that Officers continued to work closely with Portfolio Evaluation to separately identify NPEP and GLIL returns, given their importance to the Northern LGPS proposition.

RESOLVED

That the content of the report be noted.

42. UPDATE ON RESPONSIBLE INVESTMENT

Tom Powdrill, PIRC Ltd., Responsible Investment advisor to the Northern LGPS, provided an update on the Northern LGPS Responsible Investment Policy, a copy of which was appended to the report.

It was explained that a draft of the Responsible Investment Policy would be tabled at the meeting of the joint committee meeting in July 2021. The update aimed to develop a comprehensive policy framework that reflected the evolving responsible investment landscape and supported the three funds in staying abreast of existing and emerging ESG-related issues.

Increasing the scope of the current responsible investment policy framework would enable more meaningful research and engagement on a broader set of issues.

The policy framework would be guided by recommendations made by the Principles for Responsible Investment (PRI) as well as a review of best practice among other asset owners, both within the LGPS and beyond.

Detailed discussion ensued in respect of the content of the report and presentation, in particular the methodology of the mapping exercise and comparison with other Funds and the need to consider

and reflect the unique aspects of the Northern LGPS within the Policy.

RESOLVED

That the content of the report be noted.

43. DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE

The Assistant Director of Pensions, Local Investments and Property, GMPF, updated members on progress with the Northern Pool's direct infrastructure investment platform (GLIL).

A report on key financials to December 2020 and forecasts for portfolio and key macro-economic indicators was attached Appendix A to the report. The Accounts for year to December 2020 had been audited and were attached as Appendix B to the report.

It was explained that there has been a significant initial piece of work on ESG strategy which had thrown up some interesting findings and required further work and consultation with stakeholders before finalisation of a policy.

It was further confirmed that external fund raising was ongoing with more detail to be provided to a future meeting of the Committee.

The priorities for GLIL over the next quarter and 12 months were detailed and discussed.

RESOLVED

That the content of the report be noted.

44. PROPERTY FRAMEWORK

Consideration was given to a report of the Assistant Director of Pensions, Local Investments and Property, GMPF, updating Members on the forthcoming use of Lot 1 and Lot 6 of the Northern LGPS Framework.

RESOLVED

That the content of the report be noted.

CHAIR